



To: Regional School District Business Officials
From: Gerard D. Perry, Director of Accounts
Date: July, 2014

This letter sets forth the year-end reporting requirements pursuant to G.L. chapter 71, § 16B½ and 603 CMR 41.06 for certification of excess and deficiency (E & D) for the General Fund and certain other related matters.

E & D used as part of the certification of assessments to member communities must first be certified by the Director of Accounts. Use prior to certification will be considered defective.

New this year

- For revenue recognition purposes, state and federal reimbursements must be received by September 30 to offset a deficit fund balance as of June 30. See Potential Increases to Free Cash and Potential Decreases to Free Cash below for this important change.
- At the discretion of the Commissioner of the Department of Elementary and Secondary Education (DESE), funding below the proper FY2014 net school spending threshold level could result in a loss of State aid.
- Forms indicated by links under Balance Sheet – Form Submission Requirements below, are now available to regional school districts.

The balance of information in this letter is updated and continued from last year

Balance Sheet – Form Submission Requirements

All procedures necessary to properly close accounting records should be completed. Pre-closing trial balances will not be accepted. Submit hard-copy documentation not already entered or uploaded into Gateway.

UMAS accounting does not require that local governmental entities convert their chart of accounts to conform to GASB 54 definitions. The Bureau will expect fund balance definitions to appear as in the past.

The following required forms are down-loadable from the DLS website when linked and are uploadable or data entered into Gateway under Misc Forms:

- Combined Balance Sheet and Combining Balance Sheet for each fund type including individual fund balances;
- Detailed analysis of undesignated fund balance;
- [FY2014 Year End Checklist](#);
- [Cash Reconciliation Form](#);
- [Treasurer's Year End Cash Report](#) as of June 30;
- [Statement of Indebtedness](#) as of June 30;
- Summary of the FY2015 budget (operating and capital);
- Schedule of assessments to each member city and town;
- Audited financial statements if required by the Director;
- Other information as requested by the Bureau.

Please be reminded that monthly regional school district state aid in whole or in part may be withheld if the regional school district has not filed the required balance sheet forms and schedules as of June 30, 2014 to the Bureau of Accounts by October 31, 2014. To be properly filed, the forms indicated above must be completed and submitted to the Bureau.

For jurisdictions in which the Director of Accounts requires audited financial statements prior to certification of E & D, the Director may decide not to certify an amount if the independent auditor's opinion is adverse or if the opinion is disclaimed.

Balance Sheet Presentation

Submit hard-copy documentation allowing sufficient time for Bureau review and certification as well as for local action.

- Invested funds must be reported at fair value as of June 30.
- Incurred But Not Reported claims must be accrued and reported on the balance sheet. A June 30, 2014 deficit in this fund by law must be provided for in the FY2015 regional school district budget.
- Funds appropriated for employee contracts, if included in omnibus budget, may be encumbered only if the employer and employee bargaining representatives agree to contractual terms by July 15 with a final ratification.
- The State Special Education Reimbursement Fund (Circuit Breaker) June 30 balance can be no greater than DESE's FY2014 reimbursement, not including extraordinary assistance or funds obligated by the regional school district committee for FY2015 purposes. Any excess fund balance must close to the General Fund on June 30. Any FY2014 deficit in the fund must be charged to the FY2015 regional school district budget and will have no effect on June 30, 2014 E & D. Proof of this charge must be provided to the Bureau of Accounts, otherwise E & D will be reduced.
- Massachusetts School Building Authority (MSBA) lump-sum payments may require reservation and amortization. Review [IGR 08-102](#) and the [FY2015 Estimated Receipts Worksheet](#) for instructions.

- Inter-fund borrowing advances must be repaid no later than June 30. [IGR 92-105](#). Debt authorized for jurisdictions under legal restriction to obtain approval from the Commissioner of Revenue must first receive local approval and then the Commissioner's before inter-fund borrowing and expenditure of funds can occur.
- Reservations of interest income from investments, certain bond/BAN premiums, rebates and medicare/medicaid reimbursements are improper and unless special legislation or the Director of Accounts requires such reservation, they must be closed to the district's General Fund. Also, close all encumbrances to the General Fund not supported by a legal commitment made to a third party.
- Any bond or bond anticipation note premium that will not be returned to the member communities because of debt exclusion votes taken by the members, must be closed to the district's General Fund on June 30. Per G.L. chapter 44, § 20, the Bureau must then reduce the members' debt exclusions by the amount that represents their proportionate share of the premium kept by the district through maturity of the debt. Otherwise, the premium must be reserved and returned to district members by no later than June 30. The return of premium may be either by a reduction to the capital assessment or by separate check.
- For calculating the maximum Excess and Deficiency (E & D) under G.L. c. 71, § 16B½ as of June 30, 2014, the Bureau will use five percent (5%) of the district's operating and capital budget for the subsequent fiscal year. Per [603 CMR 41.05](#) 1(e):

Expenditures from grant funds, revolving funds, trust funds and other funds that by law may be expended by the regional school committee without further appropriation, shall not be included in the budget. A summary of projected receipts and expenditures in such funds shall be provided to the members for informational purposes only along with the budget.

Therefore, the Bureau will multiply five percent (5%) by the budget as defined by DESE.

- E & D will be reduced by the amount of any federal school grant reported in deficit since June 30, 2012.
- Rebated funds (e.g. energy rebates) received from a utility or other vendor cannot be reserved on the balance sheet and must be closed to the General Fund at the end of the fiscal year.
- Chapter 165 of 2012, §§ 116 and 136 amends G.L. c. 58, § 18C to require that certain local aid distributions, including Unrestricted General Government Aid, Chapter 70 and State-owned Land reimbursements, be paid on a monthly basis rather than quarterly or annually. The change was effective beginning in FY2014.
- For June 30, 2014 E & D certification purposes, along with the usual E-mailed certification letter will be an E & D calculation worksheet. This will be done in an effort to add transparency to the certification process.

- [Bulletin 2013-01B](#), which supersedes prior Bulletins on the matter, explains the application of premiums received in connection with the sale of bonds or notes that are subject to an approved Proposition 2½ debt exclusion generally and announces an alternative method for applying them.

Potential Increases to E & D

The following amounts may be requested by the jurisdiction's accounting official to be included in the certification:

- FY2014 state aid payments received by September 30;
- Other reimbursements received by September 30 for FY2014 expenditures that resulted in deficit fund balances as of June 30 may be applied to offset the deficit.

Potential Decreases to E & D

The following reasons will contribute to an E & D reduction unless otherwise noted. The Director may reduce the calculated amount of E & D if, in his opinion, the calculated amount cannot be substantiated by supporting documentation.

- A variance between the balance sheet and treasurer's cash;
- Illegal deficits or any deficit not provided for in the district assessment;
- An individual Capital Projects Fund fund balance deficit unless funds were borrowed by June 30;
- A self-insurance health claims trust fund balance deficit (note: must be provided for in next regional school district budget);
- FY2014 circuit breaker fund balance deficit not charged to FY2015 school budget.

Treasurer's Year-End Cash Report (formerly the Treasurer's Quarterly Cash Report)

The Treasurer's Year-End Cash Report as of June 30, 2014 must be completed and returned to the Bureau by September 30, 2014 or upon submission of the balance sheet for FY2015 excess & deficiency certification, whichever is earlier.

Although the Quarterly Cash Report has been replaced, the Treasurer's and Accounting Officer's records should be reconciled monthly during the year.

Auto E-Mail of E & D Certification

Certification letters will be e-mailed to the superintendent and school business manager, the board of selectmen in each member town and the city council in each member city immediately upon approval, provided an e-mail address is reported in DLS' Local Officials Directory.

Distribution of Local Aid

Regional school districts are reminded of G.L. chapter 58, § 18F which provides for the withholding of local aid payments to districts that do not submit a prior year's annual financial report to DESE.

If you have any questions or comments, please contact your [Bureau of Accounts' field representative](#).